

Subject 302

Earnings of Clergy

If you are a member of the clergy, you are taxed on offerings and fees for marriages, baptisms, funerals, and religious services, as well as on your salary. The fair rental value of housing furnished to you is not subject to income tax. If you are paid a specific amount that is designated as a rental allowance, that amount is not subject to income tax when it is used to rent or provide a home. If you do not use all of your allowance to rent or provide a home, you must include the unused part in your gross income.

If you performed ministerial services as an employee of a church, your salary will be reported to you on Form W-2. You can claim the same deductions as any other employee. You must fill out and attach Federal Form 2106, Unreimbursed Employee Business Expenses, to your Form AR1000 or AR1000NR if you are claiming deductions for travel and transportation expenses related to your ministerial services. The amount of your expenses from Federal Form 2106 is listed on Form AR3 as a miscellaneous deduction. This amount is deductible only to the extent it exceeds 2% of your adjusted gross income. You must report offerings and fees you received for marriages, baptisms, etc., and their related deductions on Federal Schedule C, Profit or Loss from Business.